HUD Challenge

HIGHLIGHTS OF

housing in the seventies

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DEPARTMENTS

HUD Challenge

U.S. Department of Housing and Urban Development

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NEXT MONTH:
A wide variety of articles will deal with HUD programs and support activity in such areas as housing for Indians, rehabilitation, medical facilities and the American Revolution Bicentennial celebration.

COVER: ***Housing in the Seventies*** **is the title of the Study resulting from the work of the Housing Policy Review Task Force. Their findings formed the basis of President Nixon's message to Congress. The Study soon will be available from the Government Printing Office.**

looking ahead

Property Tax

A search is on for an alternative to the property tax as a source of local government finance. With a $30,000 grant from HUD's Office of Policy Development and Research, the State of Vermont is undertaking to develop a thorough research program to test several alternatives to the current local property tax. The State will provide $22,500 in matching funds. It is anticipated that the work by Vermont will be of significant interest to all States and local governments weighing alternatives to the general property tax.

"Solar One"

The University of Delaware campus in Newark, Del., boasts "the first" house to convert solar energy into electricity and heat. Designed by Harry Weese Associates of Chicago, and named "Solar One," the house contains 1,350 square feet. Sun-catching "windows" with cadmium sulphide solar cells convert sunlight into electrical energy. Solar panels on the south side collect heat. A direct electrical current is produced by the solar cells and stored in special storage batteries outside the house. Household appliances and fixtures using direct current are energized by the batteries, while other units requiring alternating current connect to the battery power source converting the direct current to alternating current. Still in experimental stages, the house when fully equipped will provide up to 80 percent of its total energy requirement from sunlight.

Up on the Roof

The use-possibilities of rooftops in urban areas will be explored under a grant of the National Endowment for the Arts as part of its program of identifying space that can be put to recreational and other use. The rooftops study will be made by the Cooper Union for the Advancement of Science and Art in conjunction with Haus-Rucker Inc., a New York group of artists, architects and writers.

Private Urban Renewal

Four acres of land on Cleveland, Ohio's downtown riverfront will be redeveloped and restored by the Higbee Company, one of the city's major department stores. Herbert E. Strawbridge, chairman of the company's board, said the project was inspired by his visit to San Francisco's attractive Ghirardelli Square, with its specialty shops, ethnic restaurants and entertainment facilities. In the Cleveland project, the several old buildings to be restored will be linked with the new construction. Mr. Strawbridge said renewal of the riverfront will make it possible "to enjoy it" again.

AIA Task Force

The American Institute of Architects' National Policy Task Force suggests that a national growth policy would require creation of federal institutions to include (1) an Office of Balanced National Growth and Development within the Office of the President, (2) Congressional committees on national growth policy; (3) a Congressional Office of Policy and Planning to aid Congress in its policy formulation, similar to the General Accounting Office; and (4) a National Research Foundation on national growth problems.

Pedestrian Experiment

An experiment with pedestrian streets is being tried in the Ostermalme residential area of Stockholm, Sweden. The entire section of the city is closed to private cars. There are three major through streets in this area, one of which is a canal. The only nonpedestrian access therefore is by boat. The experiment has greatly reduced both air pollution and noise. On the whole the inhabitants have been enthusiastic about the experiment but the shopkeepers have protested violently, claiming that their sales have dropped by 15 to 25 percent. The shopkeepers blame the city for not providing some new form of communal transportation so that people could get to the shops in the area. Despite the protests, the city plans to keep on with the experiment, and to wait several months before evaluating it.

Urban Study Centers

The Town and Country Planning Association in England proposes to establish urban study centers to teach city children about their environment. The centers are intended to supply day courses for groups of children accompanied by their teachers, as well as to provide on-the-job teacher training courses and to serve as centers for the local community. It is hoped that there will be a network of centers designed to stimulate in the young a new understanding of the physical, social and economic forces that shape cities. A council composed of leading figures in the fields of education and the environment will establish sites for the centers.

President Nixon's Message on Federal Housing Policy

TO THE CONGRESS OF THE UNITED STATES:

Six months ago, in my State of the Union Message on Community Development, I announced a sweeping study of Federal housing policy. I said then that its results would be used in formulating new Administration recommendations in this extremely important field.

That study has been completed–and my recommendations are ready. In keeping with the breadth of the issues involved in housing, both the study and my proposals cover a wide spectrum.

- Some of the actions discussed in this message are designed to ease the tight credit conditions in the current housing market.
- Others are intended to improve prospects for potential homebuyers to obtain mortgages over the longer term.
- Some of these proposals reflect my conviction that the housing needs of lower income families require a different approach than we have taken in the past.
- Still other actions are designed to meet other special needs and to update and improve current Federal programs which have been working.

The measures I suggest today can bring us closer to a long-established goal. As I indicated in my message last March, this Administration will not waver in its commitment to the objective of the Housing Act of 1949: "a decent home and a suitable living environment for every American family." While our Nation has made tremendous strides toward that objective in the quarter century since it was first enunciated, those very strides have carried us into new terrain, presenting new problems and new opportunities. The nature of the challenge has been changing–and our response must change accordingly.

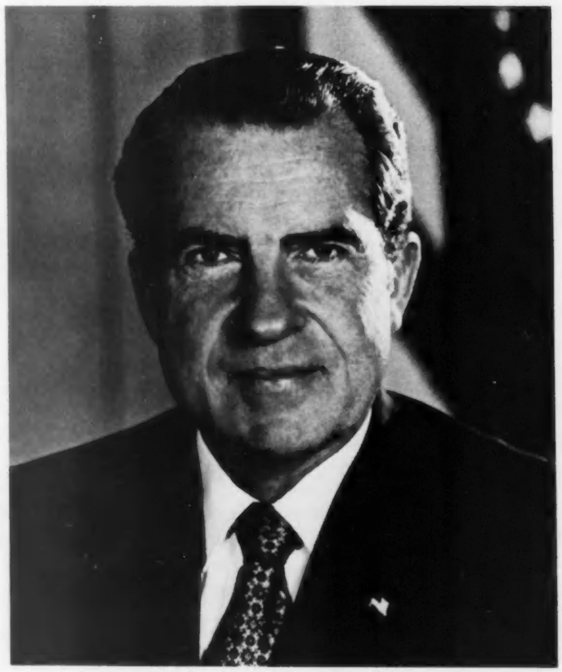
A Proud Record

The housing record of recent decades should be a source of pride for all Americans. For example, the proportion of our people who live in substandard housing dropped from 43 percent in 1940 to only 7 percent in 1970. During the same period, the proportion of Americans living in houses with more than one person per room dropped from 20 percent to 8 percent and the proportion of our housing which is considered "dilapidated" fell from over 18 percent to less than 5 percent.

To be sure, these indicators are imprecise–and we need to improve the ways we collect housing data. But all of these measures, however crude, point to an inescapable conclusion: very substantial progress has been made in the housing field and the benefits have been shared by Americans of all races and economic groups in all regions of the country.

In recent years, housing production in America has reached unprecedented levels. The average number of housing starts in the last twelve months was more than double the average for the previous two decades and we expect the next twelve months to be another excellent year for housing.

The ability of our economy to provide vastly expanded housing has been one of the strongest indications of its fundamental vitality. Our people have been able to match their growing desire for housing with growing purchasing power. Our housing industry has been able to expand its production and update its product. And our credit institutions have been able to finance this massive wave of construction in a way which has enabled a broad



cross-section of Americans to participate in its benefits.

The state of America's housing will continue to depend on the state of America's economy more than on any other factor. Specific policies aimed at housing can help. But—as our housing study concludes—the forces which will do the most to shape the future of housing in America will be the forces of the marketplace: families with sufficient real income and sufficient confidence to create an effective demand for better housing on the one hand, and builders and credit institutions able to respond to that demand on the other.

But even as good housing has become a reality for most Americans, it is clear that certain important problems still exist. Two are especially significant. First, we are facing certain problems in providing adequate housing credit—and we must move promptly to resolve them. Second, too many low-income families have been left behind: they still live in substandard, overcrowded and dilapidated housing—and we must help them meet their needs. This message and the legislation I will seek from the Congress focus primarily on these two challenges.

I. Making Homeownership Easier

Credit is the life-blood of housing. Without an adequate supply of credit repayable over an extended period of time at reasonable interest rates, very few families could afford to purchase their own homes. Nor could landlords either develop an adequate supply of rental housing or make it available at reasonable rental charges.

One of the most important actions the Federal Government has taken in the housing field was its decision in the 1930's to restructure our housing credit system. The introduction then of Federal insurance for low downpayment, long-term mortgages—first by the Federal Housing Administration (the FHA), and later by the Farmers Home Administration (the FmHA) and the Veter-

ANNUAL HOUSING PRODUCTION, 1961-1972
(Thousands of units)

	Housing Starts						
Calendar Year	Total	Non-Subsidized	Federally Subsidized	Subsidized as Percent of Total	Federally Subsidized Rehabilitation	Mobile Home Shipments	Total Housing Production
1961	1,365.0	1,328.8	36.2	2.7%	2.4	90.2	1,457.6
1962	1,492.5	1,453.6	38.9	2.6	2.5	118.0	1,613.0
1963	1,634.9	1,587.3	47.6	2.9	2.6	150.8	1,788.3
1964	1,561.0	1,505.9	55.1	3.5	3.4	191.3	1,755.7
1965	1,509.7	1,446.0	63.7	4.2	5.9	216.5	1,732.1
1966	1,195.8	1,124.9	70.9	5.9	11.6	217.3	1,424.7
1967	1,321.9	1,230.5	91.4	6.9	16.1	240.4	1,578.4
1968	1,545.4	1,379.9	165.5	10.7	36.1	318.0	1,899.5
1969	1,499.5	1,299.6	199.9	13.3	32.1	412.7	1,944.3
1970	1,469.0	1,039.2	429.8	29.3	40.7	401.2	1,910.9
1971	2,084.5	1,654.5	430.0	20.6	41.0	496.6	2,622.0
1972	2,378.5	2,039.7	338.8	14.2	50.8	575.9	3,005.2

NOTE: Detail may not add to totals because of rounding.

SOURCE: Department of Housing and Urban Development; Department of Agriculture; Mobile Home Manufacturers' Association.

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ans Administration (the VA)–encouraged lenders to provide home mortgages on attractive terms to millions of American families.

At the same time, the Federal decision to insure savings deposits meant that billions of additional dollars began to flow into our banks and into thrift institutions, such as savings and loan associations. Other Federal policies led these institutions to invest most of this money in housing loans, creating vast new pools of housing credit.

Although these systems have served us well for a long time, the need for improvement has become increasingly evident in recent years. More and more, we find ourselves facing either feast or famine with respect to housing credit.

When interest rates are relatively stable, we find that we have an abundance of mortgage credit available on reasonable terms, as was true in 1971, 1972 and earlier this year. Whenever interest rates move up rapidly, however, mortgage credit becomes extremely scarce. This occured in 1966 and 1969 and it has been happening again in recent months. As a result, it has become more difficult for an American family to buy or sell a home. Even where credit is available, the combination of higher interest rates and higher downpayment requirements is pricing too many of our families out of the housing market.

Why does this feast or famine situation exist?

As I pointed out in my message of August 3rd on the reform of financial institutions, one principal reason is the fact that our thrift institutions are unable to compete effectively for depositors' funds when interest rates rise quickly. The problem is a structural one: savings and loan associations are now required to invest most of their deposits in residential mortgages, which carry fixed interest rates over long periods of time. When other interest rates rise rapidly, the interest rates on their mortgage portfolios cannot keep pace–and as a consequence neither can the rates they pay to their depositors. The result is that depositors often draw their savings out of the thrift institutions–or at least cut down their rate of saving–leaving the thrift institutions with much less money to invest in housing. I believe this special problem can be met through the recommendations I described in my message of August 3rd.

But structural difficulties are only part of the problem. A number of additional factors also help explain why mortgage money is becoming so expensive.

One major cause is the housing boom itself, which has led to unprecedented demands for credit–and rising costs for money. In addition, inflationary fears have influenced lenders to raise their interest rates as a matter of self protection. Finally, the Federal Reserve Board has been working to restrict the money supply in order to fight inflation. Such restrictions are important, for without them we might win the immediate battle in housing but lose the long-range war in the rest of the economy, including the housing field.

But even as we pursue a responsible monetary policy, we must avoid choking off the consumer credit which families require to meet their needs. That would also be dangerous to the economy. I am particularly concerned that the burdens of fighting inflation not fall unfairly on those who want to buy a home–or sell one.

We have a delicate and difficult balance to maintain. We cannot relent in the fight against inflation, which is our number one domestic problem. Nor can we expect to insulate housing from the effects of that effort. In fact, all of our measures to control inflation–including our efforts to hold down Federal spending–are essential in keeping down both the price of housing and the price of money in the long run. This requirement necessarily limits what can be prudently done to stimulate housing credit in the short run.

Nevertheless, there are some actions that can be taken on the credit front–and I intend to take them. In fact, we have already launched a number of efforts. The Committee on Interest and Dividends has instituted voluntary guidelines designed to encourage banks to keep up their levels of mortgage lending. The Federal Reserve Board has engaged in similar efforts. The Federal National Mortgage Association has stepped up its mortgage commitment and purchasing operations to free up funds for further lending. The Federal Home Loan Bank Board has lowered the reserve requirements for lending operations of its member institutions and has stepped up its advancement of funds to them.

I am today announcing a number of additional administrative actions and legislative proposals designed to do two things: first, to help alleviate the immediate housing credit problem; and second, to improve for the longer term the supply of housing credit and the ability of our people to use it.

Easing Current Credit Conditions

1. Increasing the incentive for savings and loan associations to finance housing construction.

As money has become tighter, savings and loan institutions have become increasingly reluctant to commit housing construction loans for delivery at future dates. The reason is their uncertainty as to whether they will have enough funds to lend then at the interest rates which exist now.

Accordingly, the Federal Home Loan Bank Board will authorize a new program of "forward commitments" to savings and loan associations, promising to loan money to them at a future date should they need it to cover the commitments they now are making. This authority will cover up to $2.5 billion in loan commitments.

2. Providing interest rate assistance to federally insured borrowers.

The Department of Housing and Urban Development

will also join in the effort to ease the current mortgage credit problem by reinstituting the so-called "Tandem Plan" under the auspices of its Government National Mortgage Association. Under this plan, the GNMA will provide money for FHA-insured mortgages at interest rates somewhat below the market level. To encourage new construction, only mortgages on new housing starts will be eligible for this assistance. Up to $3 billion in mortgages for new housing will be financed under this arrangement, making loans available at attractive rates to tens of thousands of American homebuyers.

3. Increasing the size of mortgages eligible for Federal insurance.

The Federal Government presently encourages lenders to put money into housing by insuring mortgages involving low downpayments and long repayment periods. The Government guarantees, in effect, that lenders will be protected in the event of a default on the loan. Such mortgage insurance, whether it is provided by the Federal Government or by private institutions, is particularly important in making mortgages available to younger families and others who do not have enough savings to make a large downpayment or enough income to make the higher monthly payments that come with shorter mortgage terms.

The Congress periodically sets limits on the size of a mortgage loan which the FHA can insure and adjusts the downpayment requirement. The last time this was done was in 1968. Although realistic then, the current ceiling and downpayment terms are unrealistic in today's housing market. As a result, FHA insurance for multifamily units has been completely cut off and FHA-insured financing is impossible for any home purchase in a large and growing number of areas across the country.

To remedy this problem, I ask the Congress to authorize the FHA to insure larger housing loans on a low downpayment basis both for single and for multifamily dwellings.

Such a change would revive Federal insurance activity in areas where it has been curtailed. In addition, it would permit at least a partial resumption of housing loan activity in certain States where anachronistic usury laws impose interest ceilings lower than current market rates and therefore shut off mortgage lending. Many of these States exempt federally insured loans from such interest ceilings—which means that Federal insurance is a prerequisite for obtaining a housing loan in these jurisdictions. This makes it all the more important that the Congress act promptly on my proposal to expand the reach of our Federal mortgage insurance programs.

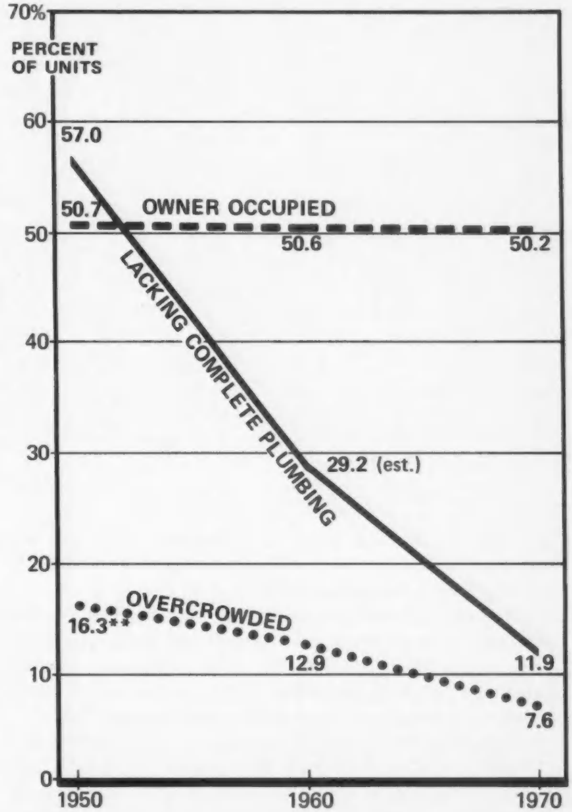
Making Long-Term Improvements in the Credit System

1. Permitting homebuyers to pay market-level interest rates and still be eligible for Federal insurance.

In an effort to hold down the cost of borrowing, the Congress has limited the interest rates which a home mortgage can carry and still be eligible for FHA and VA insurance. Unfortunately, setting the interest rate below market rates does not accomplish this intended purpose.

The reason is that lenders will simply not make their money available for housing at a lower rate than they can get from a comparable investment elsewhere. If the Government's interest limit for a mortgage is set below the general market level interest rate, the lender who still

CHARACTERISTICS OF HOUSING OF LOWEST THIRD OF INCOME DISTRIBUTION* 1950, 1960, 1970 (U.S.)



*1950-INCOME LEVEL UNDER $2000(34.4% OF HOUSEHOLDS)
1960-INCOME LEVEL UNDER $4000(37.5% OF HOUSEHOLDS)
1970-INCOME LEVEL UNDER $6000(35.4% OF HOUSEHOLDS)
** NON-FARM ONLY.

... the proportion of our people who live in substandard housing dropped from 43 percent in 1940 to only 7 percent in 1970. During the same period, the proportion of Americans living in houses with more than one person per room dropped from 20 percent to 8 percent and the proportion of our housing which is considered dilapidated fell from over 18 percent to less than 5 percent.

puts money into housing will supplement this artificially low interest rate by requiring a special additional payment. This payment–which is really prepaid interest–is made in a lump sum at the time the loan is made and is commonly called "points."

Although points are usually charged to the seller of a house, they are generally added to the selling price and thus are paid by the buyer just the same.

This practice can have a number of unfortunate side-effects. By raising the overall price of the home, points can also raise the size of the downpayment. Moreover, when the price of a house goes up, so does the cost of insuring that house, of paying property taxes on it and of making monthly mortgage payments. An added inequity arises when a home is resold before the mortgage term has run its course–which is the usual case. Since the points were paid to compensate the lender for what he would lose on interest over the full term of the mortgage, the lender can reap an unfair profit when the mortgage is paid off early.

In short, the ceiling on interest rates does just the reverse of what it was intended to do. To end this practice, I again urge the Congress to allow the FHA and the VA to insure mortgages carrying market rates of interest. This proposal would end the need for charging points; indeed, it would prohibit charging such prepaid interest points on these insured mortgages. Hopefully, those States which also have ceilings on mortgage interest rates will take similar action to eliminate their ceilings.

2. Authorizing more flexible repayment plans under federally insured mortgages.

Many innovative changes in housing finance have been introduced by the Federal Government. It is important that we continue to pursue such innovation–and one area that is particularly ripe for new experiments involves the schedule for repaying mortgages.

To further such innovation, I will seek legislation permitting the Secretary of Housing and Urban Development to allow greater flexibility in repayment arrangements for federally insured loans on an experimental basis.

One possibility which would be tested under this authority is that of gearing the level of repayments to expected changes in family income. Rather than making the same flat payment over the life of the loan, families would make smaller payments in the earlier years–when they are hardest pressed–and larger payments later on–when their incomes are higher. This provision could help younger families purchase homes earlier in life than they can today and it could help them make an earlier purchase of the home in which they will eventually live, rather than making frequent moves from one home to another as their incomes rise.

3. Establishing a mortgage interest tax credit.

As another means of ensuring a steady supply of housing credit, I will propose legislation which would allow investors a tax credit on the interest they earn when they put their money into residential mortgages. This proposal would make investment in housing loans more attractive in two ways: first, it would make them more attractive to those institutions which traditionally have provided mortgage money; and second, it would give organizations which pool mortgages a better chance to compete for funds in the so-called "secondary market"–from pension funds, insurance companies, various State institutions and the like.

Under my proposal, a tax credit of up to 3.5 percent would be provided on interest earnings to financial institutions which invest a certain percentage of their investment portfolio in residential mortgages. The greater the proportion of the portfolio invested in mortgages, the higher the tax credit on interest earned by all the mortgages in the portfolio. When at least 70 percent of a portfolio was invested in mortgages, the tax credit on the interest those mortgages earn would be 3.5 percent–the equivalent, at current interest levels, of an additional interest yield of more than one-half of one percent.

4. Furthering the development of private mortgage insurance companies.

Another significant proposal in the credit area concerns private mortgage insurance companies. These companies perform a function similar to that of the FHA, the VA, and the FMHA–they insure residential mortgages with lower downpayments and for longer terms than would ordinarily be available. However, the premiums they charge for such insurance are much lower than those of the Federal agencies. Such private mortgage insurance companies have become a significant factor in the housing market in recent years and we should encourage their continued development.

To help further this objective, I recommend that the Congress–along with the Administration–consider ways of allowing private mortgage insurance companies to purchase inexpensive Federal reinsurance. To this end, I will submit legislation which can provide a basis for this discussion. Such insurance would provide added protection to the owner of a mortgage and could speed the acceptance of private mortgage insurance, especially in secondary markets. It could thus make available even more sources of low downpayment, long-term home financing for prospective home buyers.

II. The Challenge of Low–Income Housing

Since 1937, the Federal Government has tried to help low-income families by providing housing for them. Over the years, nearly $90 billion of the taxpayers' money has been spent or committed for public housing projects and other subsidized housing programs.

These programs have been particularly active during the past few years. Since 1969, the Federal Government has subsidized nearly 1.6 million units of new housing and over 400,000 units of existing and rehabilitated

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housing. These 2 million units will cost taxpayers an estimated $2.5 billion in each of the next few years and could cost us close to $50 billion altogether.

The Failures of Federal Housing Programs

But what have we been getting for all this money?

Federal programs have produced some good housing–but they have also produced some of the worst housing in America. Our recent study makes this clear–and so does my own experience.

I have seen a number of our public housing projects. Some of them are impressive, but too many are monstrous, depressing places–rundown, overcrowded, crime-ridden, falling apart.

The residents of these projects are often strangers to one another–with little sense of belonging. And because so many poor people are so heavily concentrated in these projects, they often feel cut off from the mainstream of American life.

A particularly dramatic example of the failure of Federal housing projects is the Pruitt-Igoe project in St. Louis. It was nominated for all sorts of awards when it was built 17 years ago. It was supposed to house some 2,700 families–but it simply didn't work. In fact, a study of this project was published two years ago with the appropriate subtitle: "Life in a Federal Slum."

Last month, we agreed to tear down this Federal slum–every unit of it. Almost everyone thought it was the best thing we could do.

Pruitt-Igoe is only one example of an all too common problem. All across America, the Federal Government has become the biggest slumlord in history.

But the quality of federally assisted housing is by no means the only problem. Our present approach is also highly inequitable. Rather than treating those in equal circumstances equally, it arbitrarily selects only a few low-income families to live in federally supported housing, while ignoring others. Moreover, the few often get a new home, while many other families–including those who pay the taxes to support these programs–must make do with inferior older housing. And since recipients often lose their eligibility for public housing when they exceed

. . . a number of our public housing projects. . . are impressive, but too many are monstrous, depressing places–rundown, overcrowded, crime-ridden, falling apart.

a certain income level, the present approach can actually reward dependence and discourage self-reliance.

The present approach is also very wasteful, for it concentrates on the most expensive means of housing the poor, new buildings, and ignores the potential for using good existing housing. Government involvement adds additional waste; our recent study shows that it costs between 15 and 40 percent more for the Government to provide housing for people than for people to acquire that same housing themselves on the private market.

One of the most disturbing aspects of the current approach is the fact that families are offered subsidized housing on a "take it or leave it" basis–losing their basic right to choose the house they will live in and the place they will live. Too often they are simply warehoused together wherever the Government puts them. They are treated as a class apart, with little freedom to make their own decisions.

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Developing a Better Approach

Leaders of all political persuasions and from all levels of government have given a great deal of thought in recent years to the problem of low-income housing. Many of them agree that the federally subsidized housing approach has failed. And many of them also agree on the reasons for that failure.

The main flaw they point to in the old approach is its underlying assumption that the basic problem of the poor is a lack of housing rather than a lack of income. Instead of treating the root cause of the problem–the inability to pay for housing–the Government has been attacking the symptom. We have been helping the builders directly and the poor only indirectly, rather than providing assistance directly to low-income families.

In place of this old approach, many people have suggested a new approach–direct cash assistance. Under this approach, instead of providing a poor family with a place to live, the Federal Government would provide qualified recipients with an appropriate housing payment and would then let them choose their own homes on the private market. The payment would be carefully scaled to make up the difference between what a family could afford on its own for housing and the cost of safe and sanitary housing in that geographic area. This plan would give the poor the freedom and responsibility to make their own choices about housing–and it would eventually get the Federal Government out of the housing business.

Not surprisingly, our recent housing study indicates what others have been saying: of the policy alternatives available, the most promising way to achieve decent housing for all of our families at an acceptable cost appears to be direct cash assistance.

Our best information to date indicates that direct cash assistance will in the long run be the most equitable, least expensive approach to achieving our goal of a decent home for all Americans–a goal I am committed to meeting. It appears to be a policy that will work–not a policy where success will always be a mirage. However, it may develop that the advantages we now see for direct cash assistance will be outweighed by other factors not presently foreseen or that such advantages may be obtainable in alternative ways which offer additional advantages. In that event, I would, of course, reexamine the situation in partnership with the Congress before moving ahead. But right now, in my judgment, our principal efforts should be directed toward determining whether a policy of direct cash assistance–with first priority for the elderly poor–can be put into practical operation.

As we proceed with new policies for aiding lower income families, we must also move with caution. Too often in the past new Federal programs have been

launched on a sea of taxpayers' dollars with the best intentions but with too little information about how they would work in practice. The results have been less than what was promised and have not been consistent with the Government's obligation to spend the taxpayers' money as effectively as possible.

One particular problem is that past efforts in one area of assistance have tended to ignore programs in other areas, resulting in an inequitable hodge-podge activity which satisfies no one. In this regard, the relationship between housing programs and welfare payments is particularly critical. We must carefully consider the ways in which our housing programs will relate to other programs which also assist low-income persons.

Some field work has already begun with respect to direct cash assistance in the area of housing for those with low incomes. In 1970 the Congress authorized housing allowance experiments involving over 18,000 families and costing over $150 million. We expect preliminary data to emerge from these tests in the coming months and we intend to use these data as we evaluate the possibility of further efforts.

This work should help us answer some important and difficult questions.

What, for example, is the appropriate proportion of income that lower income families should pay for housing? Should this level be higher or lower for different kinds of families–for young families with children, for example, or for the elderly, or for other groups? Should families receiving Federal aid be required to spend any particular amount on housing? If they are, and the requirement is high, what kind of inflationary pressures, if any, would that produce in tight housing markets and what steps could be taken to ease those pressures? In the important case where poor families already own their own housing, how should that fact be weighed in measuring their income level? How should the program be applied in the case of younger families who have parents living with them?

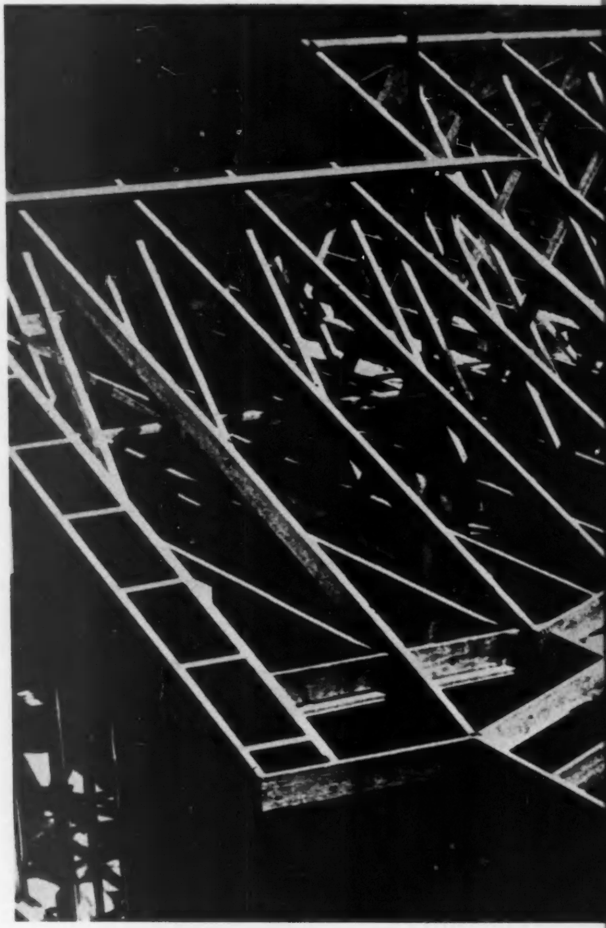
All these questions are critical–and they deserve close examination.

In addition, I am also asking the Congress for authority to take two other steps to help us test the cash assistance approach.

First, we need to expand our experimental programs to test additional techniques for administration.

Second, we need to develop and put into effect the appropriate mechanisms for measuring the cost of safe and sanitary housing in various parts of the country. Sound, reliable cost information of this kind would be of vital importance to a fully operational program.

If these steps can be taken in the near future, then I believe we will have the basic information needed to make a final decision concerning this approach late in 1974 or early in 1975.



A Continuing Need for Limited Construction Programs

During the period in which a new approach is being developed, there will be a continuing need to provide housing for some low-income families. We must recognize that in some areas of the country there will simply not be a sufficient supply of housing for the foreseeable future. I therefore propose that the Federal Government continue to assist in providing a limited amount of construction for low-income housing–though I would expect to use this approach sparingly.

To eliminate the many tangled problems which attend the delivery of subsidies under current construction programs, I am recommending a new approach to construction assistance by the Federal Government. Under this approach, the developer would make newly constructed units available at special rents for low-income families and the Government in return would pay the

developer the difference between such rents and fair market rents.

During the remainder of fiscal year 1974, the Department of Housing and Urban Development will continue to process subsidy applications for units which had moved most of the way through the application process by January 5 of this year. In addition, the Department will process applications in cases where bona fide commitments have been made.

I am advised by the Secretary of Housing and Urban Development that one of the existing construction programs—the Section 23 program under which new and existing housing is leased for low-income families—can be administered in a way which carries out some of the principles of direct cash assistance. If administered in this way, this program could also provide valuable information for us to use in developing this new approach.

Accordingly, I am lifting the suspension of January 5

I therefore propose that the Federal Government continue to assist in providing a limited amount of construction for low-income housing—though I would expect to use this approach sparingly. . . authorization has now been given to process applications for an additional 200,000 units, 150,000 units of which would be new construction.

with respect to these Section 23 programs. I am also directing the Secretary of Housing and Urban Development to take whatever administrative steps are available to him to eliminate any abuses from such programs and to bring them into line as closely as possible with the direct cash assistance approach.

Altogether, in order to meet bona fide commitments requiring action during this fiscal year and to carry out the Section 23 program, authorization has now been given to process applications for an additional 200,000 units, 150,000 units of which would be new construction.

Improving The Operation of Present Public Housing

There was a time when the only continuing Federal expense connected with public housing after it was built was paying the debts incurred in building it. Other expenses were met from rental income.

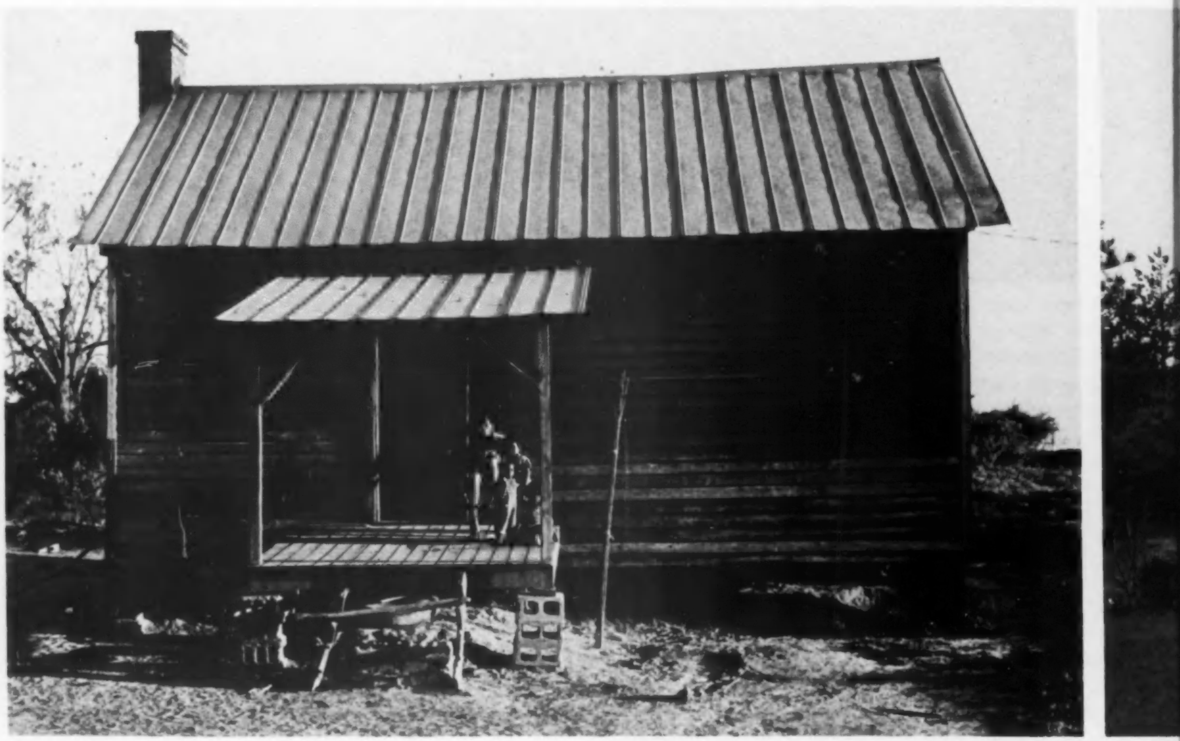
As time went on, however, laws were passed making the Federal Government liable for operating deficits. In recent years, as the operating costs of public housing projects has increased and as the income level and rent payments of their occupants have decreased, the cost of such projects for the Federal Government has gone up at an alarming rate. The Federal bill for operating subsidies has grown more than eightfold since 1969–from $33 million annually to $280 million annually–and an additional $1 billion has been obligated for capital improvements.

Moreover, as efforts have been made in recent years to prevent tenants from paying too much of their incomes for housing, some housing managements have been persuaded that some tenants should pay nothing at all. The Federal Government then picks up a good part of tab, adding considerably to the costs of maintaining these projects.

This growing financial burden for the Federal Government is only one of many problems relating to public housing. Because the local housing authority is responsible for the management of public housing projects while the Federal Government is responsible for project deficits, including those due to poor management, the local authority has little incentive to improve management standards.

There are also indications that even with improved management and a more realistic approach to rents, current Federal subsidies may need to be adjusted to provide for continued operation and maintenance of these projects.

In view of these many problems, I have asked the Secretary of Housing and Urban Development to develop a set of recommendations addressing each of these prob-



·lems. One of our goals will be to achieve a more equitable sharing of responsibility among the Federal Government, local communities and residents.

III. Additional Actions to Meet Our Housing Needs

Neighborhood Preservation

Simply providing Federal housing assistance to families without proper regard for the condition of the neighborhood as a whole too often results in unmet expectations for the families, added burdens for the municipality and a waste of the taxpayers' dollars. It is important, therefore, that all of our efforts in the housing and community development field be carried out as a partnership venture of the Federal Government, the local government, local financial institutions and the citizens of the neighborhoods involved.

Added resources such as those which would be available under my proposed $2.3 billion Better Communities Act can provide important support for these efforts. To smooth the transition to the Better Communities Act, I am directing the Department of Housing and Urban Development to make available up to $60 million in Section 312 rehabilitation loans in the current fiscal year. Priority will be given to those communities which need these loans to complete present projects or where complimentary local rehabilitation efforts have already been launched.

In addition, I have directed the Secretary of Housing and Urban Development, using his research and demonstration funds, to pursue promising approaches to neighborhood preservation which might be adopted by communities on a broader basis.

Improving Rural Housing

The problems of providing good housing in our rural areas are especially challenging, not only because the proportion of substandard housing is greater in rural areas but also because these areas often lack the resources to foster greater economic development–and better housing. Of course, many of our housing programs and proposals are designed to assist all families, urban and rural alike. But there is also a special need to address in a special way the rural housing challenge.

Our recent housing study concludes that the basic housing problem in many rural areas is that our major financial institutions are not represented in these areas and that credit is therefore inadequate. The Farmers Home Administration has done a great deal to help change this picture–but further efforts are needed. At my direction, the Department of Agriculture will seek additional ways of correcting this situation and increasing credit availability in rural areas.

In my Community Development Message last March

The problems of providing good housing in our rural areas are especially challenging, not only because the proportion of substandard housing is greater in rural areas but also because these areas often lack the resources to foster greater economic development–and better housing.

8th, I emphasized that "in pursuing a policy of balanced development for our community life, we must always keep the needs of rural America clearly in sight." I mentioned then my continuing support for a revenue sharing approach for rural development, acknowledging that the Rural Development Act fell short of what I preferred in this regard. I went on to indicate my intention, after fully evaluating the effectiveness of this act, to seek whatever additional legislation may be needed. I repeat that pledge today.

A Suitable Living Environment

The housing we live in and the environment surrounding that housing are inextricably linked. In the final analysis, the quality of housing depends on matters such as transportation, proximity to educational and health services, and the availability of jobs and shopping. It also depends on economic factors which are shaped by the larger community. One important finding of our housing study was that the costs of the land on which new housing is located has risen faster than any other cost component of housing.

The Congress, too, has recognized these relationships in its finding "that Federal programs affect the location of population, economic growth, and the character of urban development [and] that such programs frequently conflict and result in undesirable and costly patterns of urban development which adversely affect the environment and wastefully use our natural resources."

It is clear that housing policy cannot be considered separately from other policies related to the economic, social and physical aspects of community development.

A number of other proposals. . .have grown out of our recent housing study.... They include efforts to encourage home improvements and to facilitate the purchase of mobile homes. . . .

The next Report on Urban Growth, which I shall submit to the Congress in 1974, will further address these crucial relationships.

Assuring Equal Opportunity

Over the last several years, great strides have been made toward assuring Americans of all races and creeds equal and unhindered access to the housing of their choice. As I stated in 1971:

> *"At the outset, we set three basic requirements for our program to achieve equal housing opportunity: It must be aimed at correcting the effects of past discrimination; it must contain safeguards to ensure against future discrimination; and it must be results-oriented so its progress toward the overall goal of increasing housing opportunities can be evaluated.*
>
> *"The administration is embarked upon this course. It must and will press forward firmly.*
>
> *"The chief components of such a program include the firm enforcement of laws relating to equal housing opportunity, the development of appropriate equal housing opportunity criteria for participation in programs affecting housing, the development of information programs, and the development of policies relating to housing marketing practices."*

Each of these components has been put into operation and we are continuing to move ahead. It is important that all Federal agencies vigorously pursue a wide range of efforts to enforce fair housing and equal opportunity laws–and all members of my Administration will continue to be particularly vigilant in this regard.

The availability of mortgage credit has also been restricted in many instances on the grounds that the applicant's financial resources, which would otherwise have been adequate, were deemed insufficient because the applicant was a woman. These practices have occured, unfortunately, not only in home mortgage lending but also in the field of consumer credit. I shall therefore work with the Congress to achieve legislation which will prohibit lenders from discriminating on the basis of sex or marital status.

Further Proposals

A number of other proposals which have grown out of our recent housing study are included in the legislation I am today submitting to the Congress. They include efforts to encourage home improvements and to facilitate the purchase of mobile homes; measures to ease the Federal burdens in disposing of the large and still growing number of properties returning to the Government upon default; and steps to streamline and reduce the processing time for FHA applications, including a proposal that would move toward the Veterans' Administration technique of coinsurance. I urge their prompt consideration.

The American dream cannot be complete for any of us unless it is within the reach of all of us. A decent home in a suitable living environment is an essential part of that dream.

We have done a great deal as a people toward ensuring that objective for every American family in recent years. Our success should not be a reason for complacency, however; rather, it should reinforce both our determination to complete this work and our confidence that we can reach our goal.

The measures I have discussed in this message can make a significant contribution to that great undertaking. I look forward to working closely with the Congress in advancing these efforts.

RICHARD NIXON
THE WHITE HOUSE
September 19, 1973

HOUSING POLICY RECOMMENDATIONS FACT SHEET

The President today submitted a series of housing policy recommendations to the Congress, including both legislative and administrative proposals, designed to:

- Ease the present tight mortgage credit situation;
- Make it easier for homeowners–urban and rural–to obtain mortgages over the longer term;
- Assist low-income families to obtain decent housing;
- Improve the community environment for housing.

The President in his March 8th State of the Union Message on Community Development, announced an extensive half-year study of Federal housing policy directed by James T. Lynn, Secretary of Housing and Urban Development, and reaffirmed his commitment to the objective of the Housing Act of 1949: "a decent home and a suitable living environment for every American family."

The study has been completed and formed the basis for the President's recommendations.

Easing the Present Tight Mortgage Credit Situation

Over the past few months mortgage interest rates have risen rapidly in certain parts of the country and the availability of mortgage credit has diminished. These conditions stem from unprecedented demand for credit in a rapidly growing economy and inflation. Lenders have been seeking to protect themselves against losses that can come if the dollars they lend now have substantially less purchasing power due to inflation, when repaid. At the same time the Federal Reserve Board is restricting the supply of money to fight inflation.

The President is seeking to moderate the tight mortgage situation by:

- Authorizing the Federal Home Loan Bank Board to approve a program of "forward commitments." This authority will cover $2.5 billion in loan commitments enabling savings and loan institutions to make mortgage commitments now for future use.
- Underwriting a portion of mortgage interest rates under the "Tandem Plan," by which the Government National Mortgage Assocation will commit to buy up to $3 billion of residential mortgages carrying interest rates somewhat lower than current interest rates. This will result in substantial new construction starts.
- Requesting Congress to authorize increases in the permissible mortgage amounts of FHA loans, which will make the advantages of FHA available to larger numbers of homebuyers who cannot obtain credit conventionally in the current mortgage market.

Making it Easier for Homebuyers–Urban and Rural–to Obtain Mortgages in the Long Term

The Federal Government has long pursued policies designed to insure that homebuyers have an adequate supply of mortgage credit repayable over an extended term at reasonable interest rates. The President is seeking legislation which would update and improve the existing laws governing mortgage credit by:

- Permitting homebuyers to pay market interest rates on FHA and VA insured mortgages, eliminating discount points which have often had the effect of increasing home prices and interest paid.
- Authorizing on an experimental basis more flexible repayment plans in FHA insured mortgages, which could permit young families and others to make smaller payments in the earlier years of the mortgage and larger payments later when their incomes are higher.
- Establishing a mortgage interest tax credit of up to 3.5 percent, that will encourage more financial institutions to invest in residential mortgages. The greater the proportion of a portfolio represented by mortgages the higher the tax credit on all mortgages in the portfolio. With at least 70 percent of portfolios in mortgages the tax credit on the interest those mortgages earn would be 3.5 percent or the equivalent, at current interest levels, or an additional interest yield of over one-half of one percent.
- Reinsuring private mortgage insurance companies (PMI's), to induce more investors to purchase mortgages insured by private mortgage insurance companies.
- Authorizing more flexible interest rates, longer repayment terms and higher loan amounts for purchasers of mobile homes, which should have the effect of significantly reducing financing costs on these loans.

Assisting Low-Income Families to Obtain Decent Housing

The housing accomplishments of recent decades are dramatic. In 1940, 43 percent of all people lived in substandard housing. That number dropped to 37 percent in 1950 and 18 percent in 1960 and it now stands at seven percent. The average number of housing starts in the last three years has been more than double the average for the previous 21 years–an unprecedented housing boom.

The state of America's housing still continues to depend primarily on the state of America's economy–households with sufficient real income and sufficient confidence to create an effective demand for better housing and housing institutions with the capability of responding to that demand.

Despite the expenditures and obligations by the Fed-

eral government of up to $85 billion for subsidized housing, nearly three million American households still live in substandard housing.

The President is seeking to make decent housing available for all low-income families without the housing "project" stigma, the loss of freedom of choice and the inordinately high costs of current programs by:

- Identifying direct cash assistance as the most promising approach to help such families, thereby maximizing the use of existing decent housing and freedom of choice and reducing costs per family as compared with subsidizing construction of new housing for low-income families.
- Taking the further action needed to complete development and evaluation of an operational program, under which the Federal Government would provide assistance to qualified recipients so that they can choose their own decent homes on the private market. Such assistance would be scaled to make up the difference between what a family could afford on its own for housing and the cost of decent housing in that area. In view of the substantial resources required for full implementation–estimated at between $8 and $11 billion annually (as against $34 billion annually for reaching all eligible families under current programs)–such a program would have to be phased in over a number of years, with the first stage–probably covering the elderly.
- Undertaking limited programs for subsidized housing, which could result in the additional approval of 200,000 subsidized units of which 150,000 would be new construction. The existing programs will be revised to eliminate abuses. One of these, the Section 23, construction-for-leasing program, would be administered so as to maximize the freedom of choice principle inherent in direct cash assistance and would eventually, upon Congressional authorization, shift the responsibility for developing projects from the Federal Government to private builders.
- Improving the operation of our existing public housing projects, by correcting the present situation in which:
  - ◻ incentive for effective management is lacking,
  - ◻ rent income ratios are subject to a ceiling but not a floor,
  - ◻ income is unrealistically defined,
  - ◻ the responsibilities of localities, and the Federal Government are inappropriately allocated, and
  - ◻ the current level of the Federal operating subsidy may need to be adjusted to cover those expenses which are necessary for continued operation and maintenance of the projects.

Improving the Community Environment for Housing

In April, the President submitted the Better Communities Act to the Congress which would provide $2.3 billion of shared revenues to cities, urban counties and States for community development activities, beginning July 1, 1974. The President is continuing to seek a better living environment in our communities through encouraging preservation of our neighborhoods and improving planning and management of our communities by:

- Requesting the Congress to improve the home improvement loan program, so that borrowers can have readier access to longer term home improvement loans, longer payment periods and higher mortgage amounts.
- Reinstating the 312 rehabilitation loan program for fiscal year 1974, making available $60 million in rehabilitation loans with priority being given to communities which need these loans to complete present projects or where complementary local rehabilitation efforts have already been launched, to further assist in the transition to the Better Communities Act in fiscal year 1975.
- Developing a partnership of local government, local financial institutions and the citizens of the neighborhoods involved along with the Federal Government so that Federal mortgage insurance in older, declining areas will be provided as part of a total approach which is necessary to arrest decline in such neighborhoods.
- Requesting Congressional enactment of the Responsive Governments Act, under which $110 million was requested for fiscal year 1974 to help State and local governments develop reliable, useful information on their problems and opportunities, develop and analyze alternative policies and approaches, achieve a stronger management capability and evaluate the results of their efforts.

Assuring Equal Opportunity for All Americans Seeking Housing

In 1964 and 1968 the Congress enacted far-reaching legislation to insure that all Americans had equal access to obtain the housing of their choice. In 1971 the President detailed the policies of the Administration regarding the implementation of that legislation. In today's message the President reaffirmed his 1971 commitment to vigorously pursue a wide range of efforts to enforce fair housing and equal opportunity laws. Existing legislation does not expressly prohibit the restriction of mortgage credit availability on the ground that the applicant's financial resources, which would otherwise have been adequate, are insufficient because the applicant is a woman. The President is seeking to correct this situation through cooperative action with the Congress.

notebook

Dr. Gloria E. A. Toote, HUD Assistant Secretary for Equal Opportunity, has launched a **review of State and local fair housing laws** and how they are being enforced. Under Title VIII of the 1968 Civil Rights Act, which provides equal housing opportunity for all, State and local governments may implement their own fair housing laws that are the equivalent of Title VIII. The review is to determine whether these laws are being administered and enforced effectively. To date, 28 State and 16 local laws have been tentatively recognized as equivalent. In states that have not enacted laws or where a law is not equivalent, enforcement of the national policy of fair housing is subject to the provisions of the 1968 Civil Rights Act.

Under Federal law, **advertising in the land development industry** must reasonably reflect the true character and conditions of the property it proposes to sell. The truth in advertising guideline is one of a number of significant revisions in HUD's Office of Interstate Land Sales Registration Full Disclosure Act of 1968. The new provisions are largely an outgrowth of the hearings held by OILSR in 17 cities last year, at which witnesses testified to flagrant abuses by some segments of the industry. The new regulations also reflect HUD's experience during the last year of intensified enforcement of the Act and are the product of a public hearing when both opponents and supporters discussed the proposed revisions. The changes require more specific and substantive information both in the statement of record the developer must file with HUD and in the property report he must show the prospective purchaser before the deal is consummated. In addition, an automated system has been designed and implemented to support the Act by maintaining a file of information concerning each land subdivison registered with HUD. The system prepares reports, monthly and quarterly, listing the subdivisons in order by State, subdivision name, and OILSR number and providing information about the subdivision owner, number of lots offered for sale and the number of acres in the subdivision. The status and the time frame for the provision of water, roads, sewer and recreational facilities are also established and monitored.

An analysis of minority group participation in the three major home mortgage insurance programs reveals that Spanish-American mortgagors accounted for eight percent of insurance written during recent years with a high of 10 percent in the Section 235 subsidized program. For multifamily housing programs, three percent of all multifamily insured units were occupied by Spanish-American families. Occupancy rated for the three major programs ranged from 1.8 percent for the Section 207 program to 5.4 percent for the Section 221-Market Interest Rate program. Some nine percent of all families admitted to Low-Rent Public Housing units in the year ended September 30, 1972, were Spanish-American.

In the experimental shipment of 25 mobile homes and one travel trailer by rail from Elmira, N.Y., to Granite City, Ill., the units received less damage than those previously shipped by truck for HUD's Office of Emergency Preparedness. The Staff is planning another rail shipment from Harrisburg, Pa., to the Mobile Home Storage Area in Richmond, Ky., to improve and refine the operation.

Sierra Nevada Arms, the first project in Region IX under Phase III of Operation BREAKTHROUGH, is 100 percent occupied and appears to be stabilized with a 15-20 percent minority population. The developer, Sun Homebuilders, Inc. of Las Vegas, considered the Affirmative Marketing Plan successful in view of the proximity of the project to the largest concentration of urban minority families in Nevada. The developer also reports that the project is "highly manageable" under the existing occupancy arrangement.

Because consumers find it increasingly difficult to relate to both the natural and the man-built environment, a seminar on **"A New Approach, People"** at the University of Miami, Florida, November 23-25, will focus on the designer's responsibilities to combat the "separation" of the individual from his existing environment.

Daniel P. Kearney has been appointed HUD Deputy Assistant Secretary for Housing Production and Mortgage Credit and Assistant Commissioner for the Federal Housing Administration. Prior to joining the Department, Mr. Kearney was Director of the Illinois Housing Development Authority.

Dr. Steven Norton of the University of Missouri, St. Louis, is working with HUD under the 1973 General Faculty Fellowship Program. He is among 18 Faculty Fellows in the program. The program is funded through a grant from Sears-Roebuck Foundation and is administered by the American Assembly of Collegiate Schools of Business through Federal Agencies. Dr. Norton, a personnel psychologist, works in HUD's Office of Personnel, under the Assistant Secretary for Administration.

Q's & A's

Housing Policy Recommendations

Q. What is meant by the Presidential action authorizing the Federal Home Loan Bank Board to provide $2.5 billion in "forward commitments?"

A. As money becomes tighter, S&L's have become more reluctant to commit housing construction loans for delivery at future dates; they are uncertain whether they will have enough money to lend at the interest rates that exist now. "Forward commitments" by the FHLBB assures the availability of money at a known cost.

Q. Will such commitments be for mortgages on new or existing homes?

A. For **new** mortgages on both new and existing homes.

Q. Does the revived Tandem Plan of the Government National Mortgage Association differ from the Home Loan Bank Board action?

A. Yes, though the difference is more apparent than real. GNMA **buys** mortgages; the FHLBB action enables lenders to make loans.

Q. Is the Tandem Plan exclusively for new construction?

A. Yes, it will encourage new construction. Up to $3 billion in mortgages will be purchased under this method.

Q. What effect, if any, will these mortgage-supporting actions have on current mortgage interest rates? or the building industry?

A. They're expected to stimulate the flow of mortgage money by making it increasingly attractive for lending institutions to expand their investment in mortgages. A dominant factor in high interest rates is the shortage of money, thus more mortgage funds hopefully will bring about a reduction in interest rates. Benefits for home builders will include the greater availability of building capital, and thus a bigger share of the middle-income housing market, stimulated by new low-risk proposals to the money market.

Q. The current permissible FHA-insured mortgage amount is $33,000. What is the maximum limit being proposed?

A. $45,000 maximum for single-family homes. There also will be a revision of the loan-to-value ratio to ensure low downpayment to homebuyers.

Q. How will increasing the amount help the current mortgage situation?

A. It will increase the availability of low downpayment, low-interest mortgage money for a greater number of people, and will place a larger supply of the existing housing stock within the reach of the buying public.

Q. One of recommendations is to remove the ceiling on FHA/VA mortgage insurance interest rates and to prohibit discount points. How will this help the prospective homebuyer?

A. The buyer now pays points in an artificially high sales price. The buyer is prepaying interest. The points also result in a higher effective interest rate for the buyer when the home is resold before the mortgage term has run its course. This proposal will bring the true cost of financing out in the open; it will not be hidden in inflated sales prices.

Q. What is meant by the recommendation calling for experimentation with "flexible repayment plans?"

A. Under this recommendation, the Secretary would encourage experimentation with repayment plans for FHA-insured mortgages, making it easier for people to buy homes. For example, young families with good income prospects who cannot initially afford regular payments might be permitted under these experiments to make **smaller** payments during the early years . . . when their incomes are limited. . . and **larger** payments in later years when their incomes are higher. This would help young families buy homes earlier in life than they can today, rather than move from place to place as their incomes increase.

Q. Who will benefit from the proposed 3.5 percent interest tax credit?

A. Presumably everyone, because it will provide a strong incentive for more kinds of lending institutions to get into and stay in the residential mortgage business, thereby increasing the supply of mortgage money. Those already involved would be likely to expand their involvement, qualifying for the full 3.5 percent tax benefit. This would benefit the homebuying public by making more money available for home mortgages.

Q. To whom will such credit. . . if approved by the Congress. . . be available?

A. To financial institutions which invest a certain percentage of their investment portfolio in residential mortgages.

Q. Will such tax credits apply to existing portfolios or only to new residential mortgages?

A. To both existing and new portfolios of residential mortgages.

Q. Why will the private mortgage insurer guarantee proposal make more insured mortgage money available?

A. Because this proposal reduces the risk to institutions purchasing mortgage loans insured by private mortgage insurance companies. Thus, these institutions will be encouraged to invest more money in mortgage loans.

Q. What are the proposed changes in mobile home purchases? How will they affect the would-be mobile home buyer?

A. It is proposed the Secretary be given flexibility in setting the allowable interest rate for mobile home purchases. The present rate was established in 1933 and thus is not competitive. This would enable the would-be mobile home buyer to purchase his home with an FHA-insured loan instead of with more expensive conventional financing.

Q. What is the make-up of the 200,000 subsidized units promised for FY 74 in the President's message?

A. Approximately 50,000 for leased existing housing, and 150,000 for new construction.

Q. What is the basis for the President's statement identifying direct cash assistance–housing allowances–as "the most promising approach" to helping low-income families?

A. From the results of the housing study and all of the options considered it was determined that direct cash assistance would be the most cost effective while providing freedom of choice for low-income families. On a closely related matter, the so-called housing allowance experiments, we are receiving preliminary findings now from the Administrative Agency experiment, and by mid-1974 we should have some preliminary but valuable data from the Demand Experiment, and additional data from the Administrative Agency experiment.

Q. Has there been sufficient evidence from the Experimental Housing Allowance Program to warrant the conclusion that this is "the most promising approach?"

A. As mentioned earlier, identification of direct cash assistance as the "most promising approach" for helping low-income people is based on results of the housing **study** and all the options considered. However, in designing the housing allowance experiment and evaluating all the variable designs that were possible, we have received valuable information and expect more by mid-1974.

Q. Is Section 23 leased housing the only subsidized housing program being resumed?

A. No, Section 236 rental housing will be utilized on a limited basis to fulfill those commitments made prior to January 5.

Q. The recommendations speak in general terms of improving the operation of existing public housing projects. What is comtemplated in this area?

A. We propose to improve the operation of existing public housing by:

- providing incentives for effective management;
- requiring that each tenant pay at least some minimum rent;
- realistically defining resident income;
- appropriately allocating the responsibilities of local authorities and the Federal Government; and
- adjusting the current level of Federal operating subsidy if necessary for continued operation and maintenance of the projects.

Q. What sort of improvements in the Title I home improvement loan program are going to be requested?

A. To double the allowable loan amounts from $5,000 to $10,000 and extend the length of the loans from seven to 12 years.

Q. The recommendations speak of reinstituting the Section 312 rehabilitation program to the tune of $60 million. Is that amount for FY 1974 and is it for new applications or those that were frozen in January?

A. The $60 million is for FY 1974, and represents the same funding level as in all of FY 1973. There was no freeze on Section 312 applications last year. Funds this year will be used on a priority basis to support completion of existing renewal and code enforcement projects. They will also be utilized to assist and encourage local efforts, using public or private funds, to carry out rehabilitation loan activities in urban renewal and code enforcement neighborhoods. After FY 1974, local governments will have the option to carry out direct rehabilitation loan programs under the proposed Better Communities Act which would consolidate the Section 312 program with six other HUD-administered categorical programs for community development.

Q. There is a reference to a "partnership" of local institutions and people on one hand and the Federal Government on the other to improve older, declining areas. What does this mean?

A. Declining neighborhoods are characterized by more than deteriorating housing; almost without exception they have poor municipal services. . . trash collection, police protection, transportation. Additionally, banks will not support them with rehab or mortgage loans. To ensure that revitalized neighborhoods do not again lapse into decline, HUD will require under its Neighborhood Preservation program, pre-commitments from the city that municipal services will be maintained, from local banks to help with rehab loans, and from residents themselves to upgrade their deteriorating properties.

"One of my highest domestic priorities this year will be the development of new policies that will provide aid to genuinely needy families and eliminate waste. . . .Within the next six months, I intend to submit to the Congress my policy recommendations in this field, based upon the results of that study."

President Richard Nixon
State of the Union Message
March 8, 1973

TEAM WORK

The sweeping study of U.S. Government housing policies from their beginnings in the Thirties, their achievements in the 40 years to the Seventies, and their evaluation in the context of changed social, physical and economic conditions, was concluded by the National Housing Policy Review Task Force set up for the purpose, and delivered to President Nixon by HUD Secretary James T. Lynn on September 19, 1973.

Secretary Lynn created the National Housing Policy Review to evaluate existing housing programs, identify alternative approaches and develop policy recommendations for the Nation's future housing policy. The study was designed to focus on the following: (1) The current roles of the Federal Government in housing and housing finance–are they complementary or conflicting? What have been the effects of these roles? How efficiently have they been performed? (2) What should be the role of the Government in housing and housing finance? (3) What changes in policy and programs are necessary to achieve the appropriate role of the Government in housing and housing finance?

Government-wide Study

A broader perspective than just the past performance of HUD programs meant the study has embraced housing activities of 11 Federal agencies which operate in this policy area and corresponding legislation drafted

HUD Secretary James T. Lynn provided policy guidance for the National Housing Policy Review Task Force.

over the years by the 12 Congressional Committees that write laws substantially affecting housing. Also, the study has considered the roles played in housing production and finance by the Federal Government, the regulatory agencies and private institutions and organizations.

The analysts who worked on the review were drawn from the Departments of Agriculture; Commerce; Health, Education, and Welfare; Housing and Urban Development; Labor; and Treasury; and from the Veterans' Administration, the Federal Reserve Board, the Federal Home Loan Bank Board and the Office of Economic Opportunity as well as from the academic community and the journalism profession. The Office of Management and Budget, the Council of Economic Advisers, and the Domestic Council also participated in the study. Emphasis was placed on the development of as much original data as possible within the existing time constraints.

At the same time, efforts were made to work as closely as possible with Members of Congress who are

Michael H. Moscow (left), Assistant Secretary for Policy Development and Research, directed the Housing Policy Review Force. Working with him were (left to right) James P. Hedlund, Special Assistant; William Lilly III, Deputy Assistant Secretary for Policy Development; and Rudolph G. Penner, Deputy Assistant Secretary for Economic Affairs.

Some members of Task Force Team II.

knowledgeable in this field and with the staff members of Congressional Committees. Similarly, extensive consultations were held with public and private interest groups that have contributed their expertise and energies to this difficult policy area over the past years.

For the six months from March 8 to September 7, 135 career and temporary employees and 17 consultants divided among five teams worked on the Housing Task Force Report. They reviewed 508 public responses, produced research reports, generated almost 140 papers from outside consultants, spent $1.2 million and worked hundreds of thousands of man hours. The result is a comprehensive study report evaluating the Federal role in housing and finance and proposing alternatives for a new Federal housing policy. The study was released to Congress early in October and printed copies will soon be available from the Government Printing Office.

Team Effort

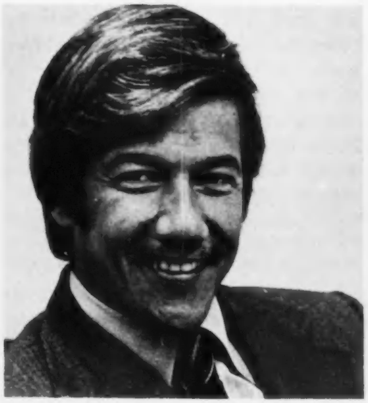
Secretary Lynn provided policy guidance for the extensive study of the Federal Government's role in housing undertaken by the review, and Michael H. Moskow, Assistant Secretary for Policy Development and Research, directed the review effort. Working closely with Secretary Lynn and Assistant Secretary Moskow were William Lilley III, Deputy Assistant Secretary for Policy Development; Rudolph G. Penner, Deputy Assistant Secretary for Economic Affairs; James B. Hedlund, Special Assistant to Assistant Secretary Moskow; and John H. Betz, who directed HUD's Experimental Housing Allowance Program. Also heavily involved were Sheldon B. Lubar, Assistant Secretary for Housing Production-Mortgage Credit, Daniel P. Kearney, Deputy Assistant Secretary for Housing Production and Mortgage Credit; James A. Wilderotter, Executive Assistant to the Secretary; and James L. Mitchell, General Counsel.

In addition to input from Federal departments and agencies, members of Congress and Congressional committees, public and private interest groups which deal with housing matters, private consultants, and the general public, five study teams organized to deal with specific issues participated in the review.

Team I, led by Arthur S. Newburg, concentrated on broad economic, social and political questions relating to housing production and finance. Team II, set up under David P. Lafayette, evaluated the suspended housing programs, concentrating mainly on the Section 235, 236, low-rent public housing and Farmers Home Administration programs. Team III, led initially by Judy Segal and then by Gil Blankespoor, analyzed Federal policies for mortgage insurance, tax policy, housing market support, rehabilitation and preservation and equal opportuny. Team IV, led by Robert P. Sangster, investigated, formulated and presented alternatives to current housing programs. And Team V, led by Roderick O. Symmes, was set up to perform a support function for all the other teams. Statisticians drawn from throughout the Government provided research and back-up statistics to teams as they needed them to prepare their reports. This often involved reassembling data into the needed format or collecting as yet unpublished data from other Departments and preparing the necessary tables and charts. Later this team was responsible for verifying the accuracy and proper use of all the statistics included in the final report.

Chapter Preparation

After the study teams completed their data gathering and analysis, their work was assembled and assigned to eight chapter teams. The



Team leaders of the Housing Policy Review Task Force (left to right): Arthur S. Newburg, Director of Operation BREAKTHROUGH, leader of Team I; David P. Lafayette, Director Program Analysis and Evaluation, PD&R, leader of Team II; Gil Blankespoor, Research Specialist, PD&R, succeeded Judy Segal as leader of Team III; Robert P. Sangster, Director Subsidized Mortgage Insurance Division, HPMC, leader of Team IV; and Roderick O. Symmes, Director Data Systems and Statistics, OS, led Team V in providing research and statistics material to various teams of the Task Force.

chapter teams organized the material produced by the study teams, as well as the work conducted by outside contractors, and gave form to the report. The chapter teams responsible for this effort were, Chapter 1: Lisa Gerard and Arthur Newburg; Chapter 2: Harry Lenhart, Lisa Gerard and Harvey Weiner; Chapter 3: Donald Edwards, Ronald Utt and Ralph Bristol; Chapter 4: David Lafayette, Hugh Knox, John Morrall, Fred Eggers, Edgar Olsen and Paul Burke; Chapter 5: Lisa Gerard, Gary Kane and Robert Brown; Chapter 6: Norris Evans; Chapter 7: Joseph Sherman, Duane McGough and Heather Aveilhe; Chapter 8: John Weicher and John Simonson.

Preliminary drafts of this report were circulated for review and comment within HUD and to other Federal agencies and Departments and revised in light of the recommendations received. Thus, this report represents a comprehensive effort on the part of the Federal Government to analyze and assess its past, present and future role in housing.

It is these chapters that make up the Task Force Report and provided the data for the Housing Policy Recommendations President Nixon announced on September 19—designed to move the Nation closer to the goal of a decent home and suitable living environment for every American family.

The following organizations met with HUD officials to offer recommendations:

- Allegheny County Housing Authority
- American Association of Homes for the Aging
- American Institute of Architects
- Associated General Contractors
- B'nai B'rith
- Cabinet Committee on Opportunities for Spanish-Speaking People
- Citizens Group from Westchester County, N.Y.
- Citizens Housing and Planning Council of N.Y., Inc.
- Foundation for Cooperative Housing
- Institute of Real Estate Management
- League of New Community Developers
- Mortgage Bankers Association
- National Association of Home Builders
- National Association of Housing and Redevelopment Officials
- National Association of Real Estate Boards
- National Association of Real Estate Brokers
- National Association of Retired Federal Employees
- National Caucus on the Black Aged
- National Committee Against Discrimination in Housing
- National Corporation for Housing Partnerships
- National Council on the Aging
- National Council of Senior Citizens
- National Education Association
- National Federation of Settlements and Neighborhood Centers
- National Governors Conference
- National Housing Conference, Inc.
- National Housing Rehabilitation Association
- National Retired Teachers Association
- National Tenants Organization
- National Urban League
- Representatives of the City of Kansas City, Mo.
- Rural Housing Alliance
- Section 23 Leased Housing Association
- U.S. Conference of Mayors/National League of Cities
- Urban Land Institute

forum

"For all of us in this frantic modern world, quality of life must include provisions for serenity and reflection, for the quiet beauties of the natural state, and for inner peace. In the United States, as Gertrude Stein wrote in 1936, 'there is more space where nobody is than where anybody is.' The same is true today, but almost all of us still live where everybody is. Which is why it is so important to have quiet, open natural space available."

—HUD Under Secretary Floyd Hyde, remarks at dedication of Governors Park in Denver, Colorado

"Our intensive and consumptive use of the land is expected to escalate dramatically in the next 27 years. . . . The equivalent of every school, pipeline, power-plant, office building, airport, shopping center, factory, home and highway that has been built during our first 200 years may have to be matched to accommodate population and market demands projected for the year 2000. . . . Some conservative projections for land use in the U.S. over the next generation are: (1) 19.7 million acres may be consumed by urban sprawl—an area equivalent to the States of New Hampshire, Vermont, Massachusetts and Rhode Island; (2) 3.5 million acres may be paved over for highways and airports; (3) seven million acres may be taken from agricultural use for recreation and wildlife areas; (4) five million acres may be lost to agriculture for public facilities, second home development, and waste control projects; (5) 492 power stations may be built by 1990, many of them requiring cooling ponds of 2,000 acres or more; (6) two million acres of right-of-way may be required by 1990 for 200,000 additional miles of power lines.

"It will be up to the people and their elected representatives to decide whether the land is to be employed in this way, but presently there is no adequate mechanism to plan or control land use."

—U.S. Environmental Protection Agency

"Modular technology really came into its own four years ago and even though there have been setbacks, modular and sectional construction is the coming thing in our industry."

—Ralph C. Lester, Chairman of the Board, Nationwide Homes, Inc., Martinsville, Va.

"Fine old buildings give our cities character and continuity. They give us a sense of stability. . . . Saving this kind of building saves a bit of the urban environment. . . . Coexistence (with new buildings) is the key. The old with the new."

—Harry Weese, Chicago architect

"Consider the savings involved for inner city residents if they could live near their jobs in the suburbs or by suburban residents if they lived near their jobs downtown. There are two streams of traffic: the car pools of suburbanites going to the city and those of inner city dwellers going on expressways to suburban jobs. You are all too familiar with this phenomenon and the relation between it and the energy crisis. Job-linked housing and urban growth policy would save a lot of gasoline. . . ."

—Paul Ylvisaker, Dean, Graduate School of Education, Harvard University

"No project's success can be credited totally to its design, but design certainly has a tremendous influence on how it works. The St. Francis Square Housing Project (in San Francisco) attests to that. . . . The assumptions we made at the outset were that the total residential environment is as important as the individual design of the units. . . ."

—Robert B. Marquis, Architect, speaking before the First Federal Design Assembly

"In the Forties and Fifties we had to convert builders to the idea of manufactured homes. Today, most builders know about our product and are in favor of it. Now its a problem of selling our products and services against those of competitors within our industry. It's a lot different than when the industry first started."

—M.O. Gustafson, President/Treasurer, Imperial Homes, Griffin, Ga.

". . . We will have 75 to 125 million more people in the United States by the year 2000. . . . These additional people must live somewhere, and it will be a national obligation to accommodate them. . . . Even if every State will accept the population growth generated by its present residents, but says it wants no more in-migration, we are dedicating the East to enlargement of current imbalances in population.

"Thus, my scenario poses the possibility of draining off some of the population growth in future decades, away from presently populated Eastern areas, into the West. In doing so, the scenario anticipates that the heavy Western growth will be in the smaller towns and cities, even new towns, and not in the present major population centers of the West."

—Victor A. Koelzer, discussing development and population alternatives at Colorado State University Conference

KEEPING HUD's HOUSE IN ORDER

By Charles G. Haynes

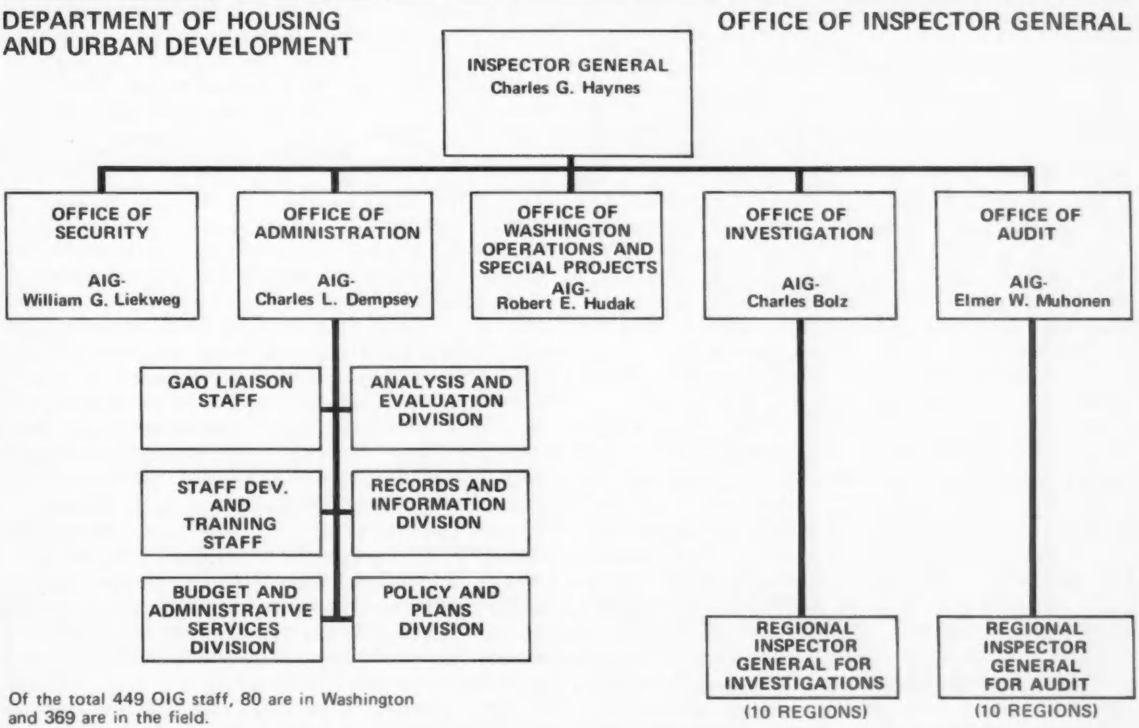
Charles G. Haynes, a Certified Public Accountant and former FBI agent, is HUD's Inspector General. He has served the Federal Government since 1941 as an auditor and investigator, coming to HUD at the beginning of 1972 from the Agency for International Development where he was Deputy Auditor General.

HUD's Office of Inspector General was established in January 1972 to provide the Secretary with an independent, objective source of information and advice on how to increase effectiveness and efficiency in the management and operation of Department activities, and to search out improper or illegal conduct by employees or program participants.

The need for the new Office was suggested by studies made by government officials, which indicated the desirability of blending an agency's kindred functions of audit, investigation, and security into one cohesive, independent and fully integrated unit.

Such an Office gives the Secretary a useful and needed management tool. It serves both as a kind of ombudsman for the public and as a focal point in HUD for independent review of the integrity of the Department's nationwide operations, without lessening the responsibility of HUD officials and staff members to do their work effectively, efficiently and honestly.

The Inspector General's Office staff of 449, HUD's



Of the total 449 OIG staff, 80 are in Washington and 369 are in the field.

AIG - Assistant Inspector General

HUD Inspector General Charles G. Haynes talks to the first woman investigator, Sherby J. Essex.

"eyes and ears," direct their inquiries into all Department program and administrative activities–in Washington, in 87 field locations, and wherever HUD helps local communities with their housing and community development activities.

In contrast to the formerly separate and independent audit, examination, inspection, investigation, and security groups that responded and reported to different managers in the Government's complex of housing and urban development agencies, the OIG is a fully integrated, centralized unit of auditors and investigators. Its growth has been evolutionary, in response to the Department's own development, as it reorganized and integrated the relatively independent agencies of the former Housing and Home Finance Agency which it absorbed upon its establishment.

The Work

In so far-flung a Department as HUD, with 16,000 employees in various locations throughout the country and programs in hundreds of communities, a lookout must be kept not only for waste, mismanagement and improprieties, but for illegal action as well. Given the magnitude of a Federal agency's responsibility to the public, the Congress, and the President, a continuing alert must be kept for problems, and they must be promptly, fully and candidly brought to the attention of the Secretary without being filtered, withheld or delayed because of undue caution, differences of opinion, or misconduct by program managers and staffs.

The work of the Office of Inspector General last year included over 1,000 audits and 2,500 investigations, some carried out in cooperation with the Federal Bureau of Investigation. In FY 1973 we sent to the Department of Justice, with which we are HUD's liaison for criminal matters, 2,093 cases for investigation or consideration for prosecution. In the same year, 251 indictments were handed down in cases investigated by the Office and the FBI.

Regular referral to the FBI is not the only way the OIG helps ferret out corruption and other illegal actions. HUD has taken the initiative in establishing combined Department of Justice, FBI, IRS, and HUD-OIG task force teams which are probing HUD programs in 18 cities. Grand Jury investigations are under way and indictments are being returned. Further, OIG combined audit-investigation teams are now making intensive operational surveys of HUD field offices in an effort to expose fraud or other irregularities.

What Is Found

Too many HUD employees succumb to the temptation of accepting meals, gifts or other minor benefits from persons doing business with HUD. Experience shows that these small gifts tend to grow into larger ones and in some cases into outright bribes. One HUD building inspector who was indicted and pleaded guilty to charges of submitting falsified inspection reports wasn't paid for falsifying the reports, but he did accept daily lunches from the builder. Another builder who gave gifts to HUD employees told our investigator it would be naive to believe his company didn't expect to receive future benefits from employees who accepted gifts.

Following OIG audit and investigative work and Department of Justice action, stringent measures have been taken against wrongdoers in and out of HUD. In FY 1972, 146 persons and firms were indicted. In FY 1973, 251 were indicted–only 44 were indicted in FY 1971. There are over 800 individuals and firms on the Department's "Consolidated List of Debarred, Suspended and Ineligible Contractors and Grantees." These statistics do not prove increased wrongdoing, but rather increased efforts to eliminate improper activities.

In many audits, we find that grantees have charged projects with ineligible costs, contrary to HUD regulations or contracts. These findings saved over $5 million in 1972.

In an urban renewal audit in Ohio, the OIG found a local agency prematurely drawing and tying up excessive amounts of Federal funds because of a peculiar city charter provision that made such drawings necessary. In the hope of reducing interest costs, we recommended that the parties involved work toward changing the charter. Subsequently, the voters approved a charter change which eliminated the need for excessive cash drawings.

Steps to Correct

The Department has taken many steps to correct weaknesses described in the OIG's nationwide reports on the Sections 235 homeownership assistance and 236 rental housing assistance programs. In the Section 236 report we described the increased costs and decreased effectiveness resulting from inclusion of unnecessary costs in mortgage amounts, inadequate cost certification reviews, use of poor data in estimating construction costs on land values, building unneeded projects, weak project management, and undesirable project sites. Our Section 235 report covered such problems as poor inspection and appraisal practices, inadequate handling of homeowners' complaints, and the need for more aggressive follow-up on violations and irregularities by program participants.

As a follow-up on our Sections 235 and 236 reviews, we have been making intensive continuing audits of selected aspects of appraisal/inspection procedures and mortgage loan application processing.

The OIG also audits management of properties acquired by HUD. In one such audit we called attention to a serious breakdown of internal controls in many property disposition activities of a particular area office. Unreal-

istic disposition programs resulted in the sale of many properties for 60 percent of the amounts spent for their repair. Area management brokers were performing poorly, resulting in delays in sales, poor or duplicate repair work, and excessive repair costs. Fragmenting of repair contracts to circumvent formal contract requirements contributed to the ineffective control. Aside from the various procedural steps needed to correct the situation, the seriousness of the findings in this case prompted Departmental action to relieve those involved of their property disposition responsibilities.

We regularly evaluate proposed contract prices and audit actual costs of contracts awarded. Substantial dollar reductions in contracts and costs have resulted from the more than 240 evaluations and audits made in FY 1972. The OIG's comprehensive program of audits and investigations is designed to both expose wrongdoing and identify and make constructive recommendations to improve effectiveness and reduce or eliminate management problems.

Preventive Medicine

Keeping to the truism that an ounce of prevention is worth a pound of cure, the OIG Office of Security inquires into the background of HUD appointees to determine their suitability, integrity and character. This office also plans and directs the Department's program of protective custody over classified documents received from other agencies.

The continuing program of OIG-conducted seminars on standards of conduct helps to warn employees against improper activities. Over 10,000 HUD employees have participated in these seminars.

Independent and Strong Self-Policing

The House Committee on Government Operations, in its June 20, 1972, report on weaknesses in FHA programs, said that the combination of audits and investigations by the Office of Inspector General, with the IG reporting directly to the Secretary, assures greater efficiency and coordination in the Department and impartial investigation of misconduct charges.

Secretary Lynn, addressing the OIG recently, spoke of the key position of the Inspector General and the continued value of the special services of the probing, analytical and inquisitive auditors and investigators. The Secretary commented on the rotten apple in a barrel which makes the good ones look bad and emphasized that only a very small portion of HUD's 16,000-person staff had betrayed the Department's trust in the past. He urged the OIG to protect the vast majority of HUD's dedicated employees who effectively serve their fellow citizens. At the same time, the Secretary looked to the OIG to assist in evaluating HUD programs and to provide him with important practical input on needed changes and improvements.

To help protect the public's best interests we urge the prompt reporting of violations or wrongdoing to the HUD Regional Inspectors General for Investigation.

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Preserving a Treasure of the Past

Ashton Villa, an ante-bellum mansion of great beauty and grace in the Island City of Galveston, and probably the first residence in Texas to introduce the Italianate style, is being saved by those who appreciate it as one of the most valued treasures of that city's past.

In recent years, many residents and visitors to Galveston were aware that demolition was a real threat to this historic house for which many old and young people alike have a strong attachment. Some remember being entertained at Ashton Villa and others have enjoyed stories about the aristocratic serenity of the mid-nineteenth century life style of the family who lived in the mansion. Knowing of the special attachment to this great house on the part of so many people and, believing as expressed by Sir Winston Churchill, that "the longer you can look back, the further you can look forward," the city and the Historical Foundation of Galveston determined that Ashton Villa must be restored and preserved.

Early in 1971, the mansion was purchased by the Park Board of Trustees of the City of Galveston from El Mina Shrine for $125,000. The Shrine had bought it in 1927 from the family of the original owner, James Moreau Brown. To purchase Ashton Villa for the city, the Moody Foundation contributed $60,000, the Galveston Historical Foundation contributed $15,000 and HUD awarded an historic preservation grant of $50,000–the first such grant to be approved in the five-state Southwest Region.

History of the Original Owner

The Galveston Historical Foundation has no legal documentation about the early years and activities of James Moreau Brown, who came to Texas in the early 1840's. Texas historians who knew the Brown family generally believe that Brown was a native of New York and one of 16 children. Apprenticed as a bricklayer, at the age of 12, he later became an architect and businessman. Before arriving in Texas he successfully pursued his trades and exercised his business acumen in Pennsylvania, Ohio, and along the Mississippi River. Not long after arriving in Galveston he founded and organized gas and electric services, water works, a bank, a lumber company and a hardware store.

Design of the House

Brown designed Ashton Villa for his family. With the help of a few skilled European laborers (probably Germans) and slaves, construction began in 1858 and was completed in 1859. Located at 24th and Broadway, the house is believed to be the first built of brick in Galveston and among the first in Texas. It is a three-story, nine-room structure, not counting the central halls on each floor, the kitchen and bathrooms.

The first floor of Ashton Villa has three rooms including a living room about 40′ by 20′, a similar size dining room and a parlor. Each of these rooms is entered from an imposing central hall with a magnificent winding walnut stairway leading to the top floors. Near the former kitchen, there is a back stairway which leads to the second floor balcony where musicians would assemble to entertain guests, and the Brown children would gather to watch the festivities below. On the second floor, there is a ladies' sitting room, four bedrooms and bathrooms. There is ample closet space in each bedroom and some have a lavatory and built in vanity. On the third floor there are two bedrooms and a ballroom. In one corner of the ballroom is a slightly raised platform which had a commode that was camouflaged with decorative screens. In European and American villas and mansions of the mid-19th Century, it was the custom to hide this amenity with screens.

Ashton Villa was centrally heated by a gas furnace and has numerous ornamental fireplaces which used gas logs. A number of the original chandeliers and handsome wall sconces are still in place. The water for the family was provided by three cisterns, two in the basement and one on the roof of the third floor.

The floor plan is Greek revival. The symmetrical front exterior facade is spiced and sharpened by cast iron scroll work of the galleries, innovative brickwork, bracket eaves, and cast iron lintels over tall slender window areas. The original massive pier mirrors and gold leaf cornices reflecting the luxury of European villas of the period are in reasonably good condition. Of significance is the fact that Ashton Villa, now 114 years old, had only two owners from 1859 until 1971. The home continued to be owned and occupied by the Brown family until 1927 when they sold it to El Mina Shrine. The Shrine appreciated the great beauty of the house and was careful to preserve its basic fabric. Today visitors see the original hardware and fixtures, window panes and shutters, handsome double storm doors, ornate plaster work, massive molding and window frames. There are also a few original furnishings. The carpet in the ladies' sitting room on the second floor is believed to be the origianl covering. There are several oils painted by Miss Bettie, one of the vivacious Brown daughters, who married and traveled extensively in Europe but always returned to the family home.

Entertaining Guests

The name, Ashton Villa, derived from Isaac Ashton, a Revolutionary War hero and forebear of Mrs. Brown, who was Rebecca Ashton Stoddart of Philadelphia before coming to Texas and marrying James Moreau Brown in 1857. They had five children–two daughters and three sons.

The Browns entertained beautifully. Many gatherings of the Texas Bankers Association were held at Ashton Villa since Mr. Brown was

that Association's President for many years. During the Civil War, he was purchasing agent for the Confederate Army with the rank of Colonel. Later, President Andrew Johnson granted Colonel Brown amnesty for his service to the Confederate Army. Brown died in 1896. A number of his surviving grandchildren are now in their seventies and eighties.

Restoration Begins

On February 19, 1973, the restoration of Ashton Villa commenced; completion is expected early in 1974. The estimated costs of restoring the structure are $125,000, and an additional $125,000 is required for furnishings, gardens, climate control and lighting, bringing the total estimated project costs to $250,000. HUD has committed a second $50,000 grant toward the estimated costs but an additional $90,000 is needed to complete the project.

When the work is finished, Ashton Villa will be open to the public as a museum. It will be leased to the Galveston Historical Foundation by the Park Board of Trustees on behalf of the city. Efforts are being made to acquire more pieces of the original furniture so that the residential portion will reflect the best in 19th century tastes.

There are plans to rent the nonresidential area added to the rear of the house by the Shrine and connected to the original carriage house and stables by a covered walkway. Both nonresidential areas are particularly suitable for imaginative shops and an attractive restaurant.

Raiford Stripling, an architect of San Augustine, Texas, is supervising the restoration work through a local committee. Among Mr. Stripling's noted projects are the French Legation at Austin, portions of Fort Concho and Mission LaBahia. The general contractor is Swain Restoration Company of Houston. Some of the skilled workmen on the project have expressed great pleasure in having the opportunity to usetheir art in restoring Ashton Villa to its original beauty.

EDITORS' NOTE: The restoration of Ashton Villa is part of the drive for historic preservation in Galveston, Texas, led by the Galveston Historical Foundation. The Foundation is also restoring Samuel May Williams House and St. Joseph's Church in the oldest residential district in Galveston, which has been declared an historical district and is thereby subject to certain controls. Properties are purchased, remodeled and sold with restrictions on their maintenance and preservation.

In addition, six buildings have already been purchased on The Strand, the oldest part of the commercial area adjacent to the wharfs and historically known as the Wall Street of the Southwest. A revolving fund, modeled after the one in Savannah, Ga., has been established with $200,000 from the Moody Foundation. In addition to the Moody Foundation and the Historical Foundation, the major banks are involved in this preservation project.

in print

Studies Available

Credit Unions in Public Housing, a report published by the National Association of Housing and Redevelopment Officials, concludes that credit unions established in six public housing projects with HUD aid, have produced more self-reliant tenants, better relations with management, as well as more financial stability for the families involved.

Based on a study of the operations of limited-income credit unions in Baltimore, Md.; Columbus, Ohio; Minneapolis, Minn.; Richmond, Va.; and San Antonio, Texas, the report verifies the belief that credit unions can work in public housing projects and do much more for low-income families than merely lend money.

In learning how to make better use of their own limited resources, and through training to manage their own credit unions, public housing tenants, the report indicates, develop a sense of responsibility and pride that is reflected in their relations with the housing authorities. In effect, the report indicates, the credit union appears to have a catalytic effect in improving tenant-management relations.

Residents volunteered their efforts to organize the credit unions when they found that loan services would enable them to shop away from the high-cost, low-quality neighborhood stores with excessive credit charges, the report discloses.

The $216,000 demonstration on which the report was based, was carried out for HUD by the National Association of Housing and Redevelopment Officials with the National Credit Union Administration providing training and technical assistance under a subcontract.

Not all the credit unions were successful during the two-and-one-half year span of the demonstration; there were varying degrees of success in different areas of union activity. The Columbus credit union for example, was particularly successful in consumer counseling and cooperative buying; Philadelphia showed the steadiest membership growth, high use of credit, and the highest rate of share deposits; Minneapolis was successful in gaining "seed money" deposits from local industry.

A common conclusion reached during the demonstration was that credit unions can succeed in public housing only if they have the strong support of a cooperative housing authority and an active, stable, residents' association.

Single copies of the report may be obtained free from NAHRO, 2600 Virginia Ave., N.W., Washington, D.C. 20037.

The Changing Demand for Local Capacity reports on efforts of communities to build local professional staff capacity. It is the twelfth in HUD's Community Development Evaluation Series conducted under contract with consulting firms.

The analysis includes data on local development of new skills such as programming, budgeting, resource allocation and evaluation. It also examines the policy planning in which these new skills have been used.

Begun as an investigation of staff capacity needs of Model City Demonstration Agencies, the study led to a broader examination of skills required in local government generally. It investigated the organization, process, and staff for programming and policy planning in five cities: Memphis, Tenn.; Tucson, Ariz.; Pasco, Wash.; Tampa, Fla.; and San Jose, Calif. The report includes case studies of the organization and capacity-building efforts in each of these cities.

Copies may be obtained at $1.50 each from the Superintendent of Documents, U.S. Government Printing Office, Stock No. 2300-00209, Washington, D.C. 20402.

Financing New Communities—Government and Private Experience in Europe and the United States. A summary of European and United States experience in financing new communities. Abstracted from national papers prepared by HUD's Office of International Affairs for the Sector Group on the Urban Environment, Organization for Economic Cooperation and Development, headquartered in Paris, France. The report contains new community data from the United Kingdom, France, United States, Sweden, Finland, West Germany, and Holland. It provides a brief overview on land acquisition, land control, planning, public finance, private finance, and financial control of projects.

Some conclusions drawn from the report are: (a) Financing on an adequate scale for the whole project, whether from public or private sources, should be assured or firmly in prospect before a planned community is launched, (b) adequate arrangements and a coherent program should be made for acquiring, preparing and developing land, (c) close cooperation between the various sources of capital, whether public, semi-public or private, should be encouraged as the basis of developing planned communities.

Copies of the 57-page report are on sale for 85 cents each by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

lines&numbers

The Rise in the Price of Shelter and Some Implications

According to the Consumer Price Index of the Bureau of Labor Statistics, U.S. Department of Labor, the price paid by urban wage earners and clerical workers for shelter rose 34% during the five year period ending in 1972 (shelter includes rent, homeownership, hotel and motel rates). This compares to a 25% rise in the prices of all goods and services bought by urban consumers during the same period.

The case for renting as opposed to homeownership as a housing choice is evidenced by a comparison of the trends in the rental and homeownership components of the shelter index. The rental index rose 19% between 1967 and 1972, while the homeownership index experienced a 40% rise (homeownership includes first mortgage interest rates, property taxes and insurance, home maintenance and repairs). Surprisingly, interest rates showed the smallest percentage increase in ownership costs, 17.5%, while property taxes experienced the greatest increase, nearly 46%. The price of services less rent rose 36% over the five year period (services include medical care, legal fees, transportation, etc.).

The shift in the preference of the housing consumer is illustrated by a study of recent housing production data. The rate of increase in apartment starts (structures with five units or more) over the five year period ending in 1972, was better than two and a half times the rate for single unit structures and nearly one and a half times the rate for two-to-four unit structures.

Selected Housing Series of the Consumer Price Index: 1968-1972 (1967=100)

				Home Ownership					
Year	Shelter	Rent	Total	First Mortgage Interest Rates	Property Taxes	Property Rates	Home Maintenance and Repairs	Household Furnishings and Operations	Fuel and Utilities
1967	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1968	104.8	102.4	105.7	106.7	105.6	104.7	106.1	104.4	101.3
1969	113.3	105.7	116.0	120.0	111.9	109.3	115.0	109.0	103.6
1970	123.6	110.1	128.5	132.1	121.0	113.4	124.0	113.4	107.6
1971	128.8	115.2	133.7	120.4	131.1	119.9	133.7	118.1	115.1
1972	134.5	119.2	140.1	117.5	145.7	123.2	140.7	121.0	120.1

Source: U.S. Department of Labor, Bureau of Labor Statistics

New Privately Owned Housing Units Started

Year	1 Unit	1968-1972 2-4 Units	5 Units or More
1967	844	71,000	376
1968	900	81,000	527
1969	811	85,000	571
1970	813	84,000	536
1971	1,151	120,000	781
1972	1,310	141,000	905
Percentage Change	55%	97%	141%

Source: U.S. Department of Commerce, Bureau of the Census

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